

**TOWN OF SPRINGDALE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

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FINANCIAL SECTION



MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

Independent Auditors' Report

The Honorable Mayor and
Town Council
Springdale, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springdale, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Springdale's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springdale as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006, on our consideration of the Town of Springdale's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Springdale's basic financial statements. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Springdale, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
November 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Springdale (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$574,000 which resulted in total assets in excess of total liabilities (net assets) of \$5.39 million at the close of the fiscal year.
- Taxes and other governmental revenues exceeded expenses by \$98,936.
- Total business-type revenues exceeded expenses by \$389,876.
- Total revenues from all sources were \$1.9 million.
- The total cost of all Town programs was \$1.24 million
- The General Fund reported excess revenues over expenditures of \$19,855.
- Actual resources received in the General Fund were more than the final budget by \$17,611 while actual expenditures were \$39,199 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$701,964 or 75.8% of total General Fund expenditures, excluding transfers.
- Total reserved fund balance in the Capital Projects funds at the close of the year is \$183,196.
- At the end of the current fiscal year there was \$422,561 due to the General fund \$313,894 payable by the Water fund \$28,667 payable by the Sewer fund \$22,819 payable by the Irrigation fund and \$80,000 payable by the Parks fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as

changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works, culture and recreation, community development and interest on long-term debt. Property taxes, sales tax, resort tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover all or most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$4.8 million as of June 30, 2006 as shown in the following condensed statement of net assets. The Town has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

Springdale Town Statement of Net Assets

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 1,125,349	\$ 1,091,859	\$ 1,365,711	\$ 350,754
Capital assets	1,257,427	1,161,993	5,139,856	4,346,425
Total assets	<u>2,382,776</u>	<u>2,253,852</u>	<u>6,505,567</u>	<u>4,697,179</u>
Long-term liabilities outstanding	490,000	581,000	2,525,644	1,398,324
Other liabilities	146,181	25,192	331,761	126,096
Total liabilities	<u>636,181</u>	<u>606,192</u>	<u>2,857,405</u>	<u>1,524,420</u>
Net assets:				
Invested in capital assets, net of related debt	767,427	580,993	3,304,128	2,948,101
Restricted	266,619	346,438	166,363	213,550
Unrestricted	712,549	720,229	177,671	11,108
Total net assets	<u>\$ 1,746,595</u>	<u>\$ 1,647,660</u>	<u>\$ 3,648,162</u>	<u>\$ 3,172,759</u>

Governmental Activities

The cost of all Governmental activities this year was \$936,400. As shown on the statement of Changes in Net Assets on the following page, \$102,775 of this cost was paid for by those who directly benefited from the programs; \$40,406 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$143,181. General taxes, impact fees, and investment earnings totaled \$892,155.

The Town's programs include: General Government, Public Safety, Public Works, Parks & Recreation and Community Development. Each program's revenues and expenses are presented below.

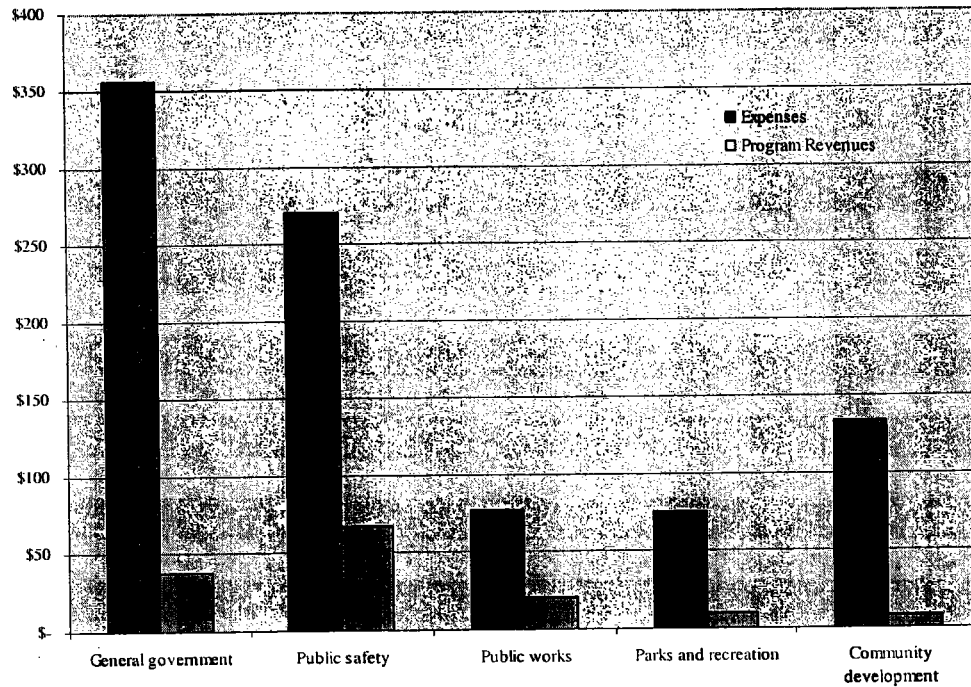
**Springdale Town
Changes in Net Assets**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 102,775	\$ 103,428	\$ 597,453	\$ 578,097
Operating grants and contributions	27,056	19,939	-	-
Capital grants and contributions	13,350	138,078	85,527	-
General revenues:				
Taxes	1,023,450	938,953	-	-
Impact fees	21,000	45,109	47,365	73,345
Grants and contributions not restricted to specific programs	-	-	-	-
Other	(152,295)	20,213	238,185	26,805
Total revenues	<u>1,035,336</u>	<u>1,265,720</u>	<u>968,530</u>	<u>678,247</u>
Expenses:				
General government	356,203	318,823	-	-
Public safety	270,207	254,769	-	-
Public works	76,391	68,466	-	-
Parks and recreation	75,084	82,329	-	-
Community development	133,052	72,482	-	-
Interest on long-term debt	25,463	23,199	-	-
Water	-	-	256,427	249,482
Sewer	-	-	164,798	175,807
Irrigation	-	-	35,284	-
Building Authority	-	-	36,618	-
Total expenses	<u>936,400</u>	<u>820,068</u>	<u>493,127</u>	<u>425,289</u>
Increase in net assets	98,936	445,652	475,403	252,958
Net assets, beginning	1,647,659	1,202,008	3,172,759	2,919,801
Net assets, ending	<u>\$ 1,746,595</u>	<u>\$ 1,647,660</u>	<u>\$ 3,648,162</u>	<u>\$ 3,172,759</u>

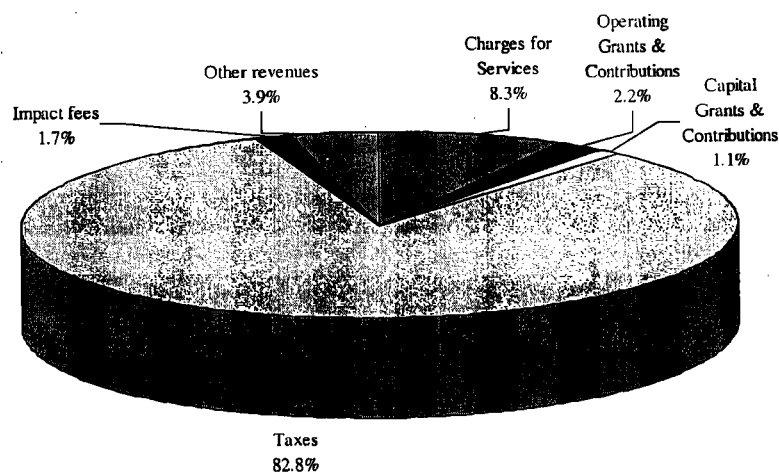
Total resources available during the year to finance governmental operations were \$2.68 million consisting of Net assets at July 1, 2004 of \$1.6 million, program revenues of \$143,181 and General Revenues (including transfers) of \$892,115. Total cost of Governmental Activities during the year was \$936,400; thus Governmental Net Assets were increased by \$98,935 to \$1.7 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



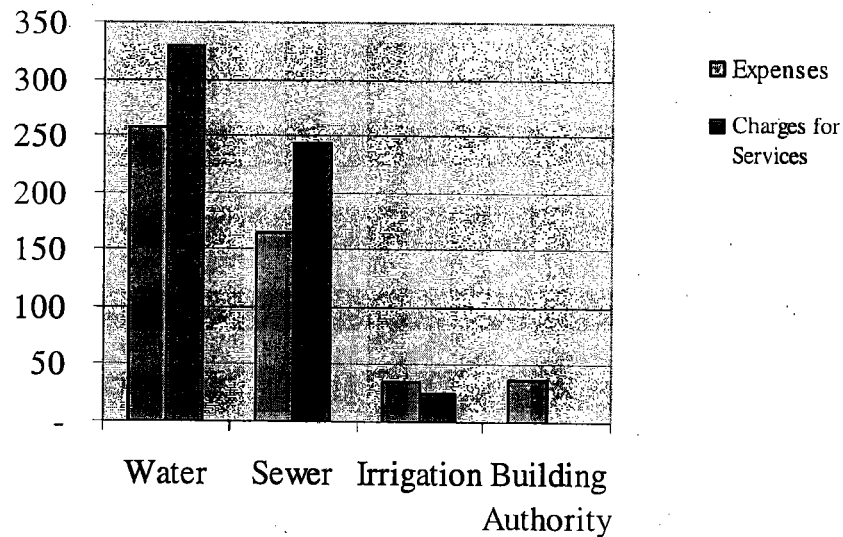
Revenue By Source - Governmental Activities



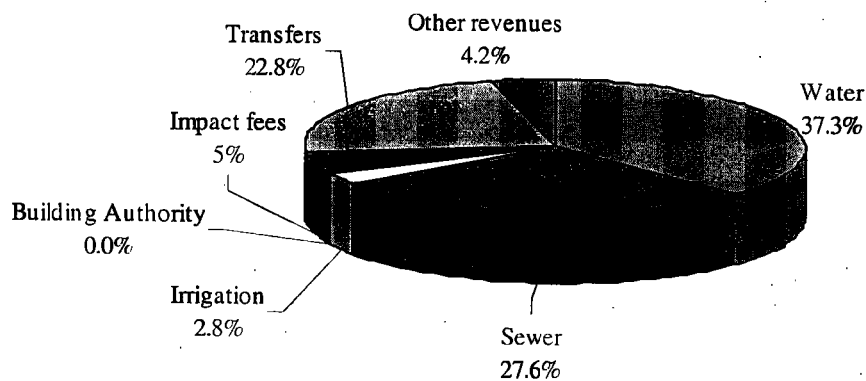
Business Type Activities

Net assets of the Business Type activities at June 30, 2006, as reflected in the Statement of Net Assets were \$3.6 million. The cost of providing all Proprietary (Business Type) activities this year was \$493,127. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$597,453 and there were \$85,527 subsidized by capital grants and contributions. Interest earnings, transfers, and other revenues were \$285,550. The Net Assets increased by \$475,403.

Expenses and Program Revenues - Business- type Activities
(in Thousands)



Revenue By Source - Business-type Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$39,199 more than actual expenditures. Actual revenues were more than the final budget by \$17,611. Budget amendments and supplemental appropriations were made during the year to prevent most budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2005, net capital assets of the government activities totaled \$2.25 million and the net capital assets of the business-type activities totaled \$5.1 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had \$490,000 in governmental type debt, and \$2.5 million in proprietary debt. The debt is a liability of the government and amounts to \$4,335 per capita. During the current fiscal year, the Town's total debt increased by \$997,096. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2006/2007, the Town Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2005/2006.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Springdale, P.O. Box 187, 84767 or call (435) 772-3434.

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BASIC FINANCIAL STATEMENTS

TOWN OF SPRINGDALE
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 313,288	\$ 754,290	\$ 1,067,578
Receivables (net of allowance)	16,855	78,694	95,549
Internal balances	342,561	(342,561)	-
Prepays	171	-	171
Deferred Charges	10,585	60,674	71,259
Temporarily restricted assets:			
Cash and cash equivalents	441,889	814,614	1,256,503
Capital assets (net of accumulated depreciation):			
Land	103,500	132,444	235,944
Buildings	477,299	-	477,299
Improvements	210,123	702,876	912,999
Furniture and fixtures	18,240	-	18,240
Machinery and equipment	27,597	71,858	99,455
Computer equipment	1,318	-	1,318
Automobiles and trucks	15,610	14,603	30,213
Infrastructure	215,660	-	215,660
Water rights	-	121,000	121,000
Distribution system	-	3,305,016	3,305,016
Construction in progress	188,080	792,059	980,139
Total assets	<u>2,382,776</u>	<u>6,505,567</u>	<u>8,888,343</u>
Liabilities			
Accounts payable and other current liabilities	146,181	229,221	375,402
Deferred revenue	-	101,097	101,097
Customer deposits	-	1,443	1,443
Noncurrent liabilities:			
Due within one year	93,000	79,164	172,164
Due in more than one year	397,000	2,446,480	2,843,480
Total liabilities	<u>636,181</u>	<u>2,857,405</u>	<u>3,493,586</u>
Net Assets			
Invested in capital assets, net of related debt	767,427	3,304,128	4,071,555
Restricted for:			
Debt service	-	166,363	166,363
Capital projects	183,196	-	183,196
Other purposes	83,423	-	83,423
Unrestricted	712,549	177,671	890,220
Total net assets	<u>\$ 1,746,595</u>	<u>\$ 3,648,162</u>	<u>\$ 5,394,757</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 356,203	\$ 32,311	\$ 5,500	\$ (318,392)	\$ -	\$ (318,392)
Public safety	270,207	60,573	250	(203,249)	-	(203,249)
Public works	76,391	-	5,000	(55,970)	-	(55,970)
Parks and recreation	75,084	9,891	100	(65,093)	-	(65,093)
Community development	133,052	-	8,000	(125,052)	-	(125,052)
Interest on long-term debt	25,463	-	-	(25,463)	-	(25,463)
Total governmental activities	936,400	102,775	27,056	(793,219)	-	(793,219)
Business-type activities:						
Water	256,427	329,585	-	-	73,158	73,158
Sewer	164,798	243,571	-	-	78,773	78,773
Irrigation	35,284	24,297	-	-	(10,987)	(10,987)
Building Authority	36,618	-	-	-	(36,618)	(36,618)
Total business-type activities	493,127	597,453	-	-	104,326	104,326
General Revenues:						
Taxes:						
Property taxes levied for general purposes				41,838	-	41,838
Sales and use taxes				272,573	-	272,573
Franchise taxes				52,111	-	52,111
Resort taxes				512,999	-	512,999
Transient room taxes				132,876	-	132,876
Telecommunications tax				11,053	-	11,053
Contributions				-	85,527	85,527
Impact fees				21,000	47,365	68,365
Unrestricted investment earnings				44,082	37,142	81,224
Miscellaneous				4,666	-	4,666
Transfers				(201,043)	201,043	-
Total general revenues & transfers				892,155	371,077	1,263,232
Change in net assets				98,936	475,403	574,339
Net assets - beginning				1,647,659	3,172,759	4,820,418
Net assets - ending				\$ 1,746,595	\$ 3,648,162	\$ 5,394,757

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Parks Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 313,288	\$ -	\$ -	\$ 313,288
Receivables (net of allowance)	4,327	-	-	4,327
Due from other governments	12,528	-	-	12,528
Due from other funds	422,561	-	-	422,561
Prepaid expenses	171	-	-	171
Restricted cash and cash equivalents	83,423	278,730	79,736	441,889
Total Assets	\$ 836,298	\$ 278,730	\$ 79,736	\$ 1,194,764
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 39,252	\$ 79,344	\$ -	\$ 118,596
Accrued liabilities	11,659	15,926	-	27,585
Due to other funds	-	80,000	-	80,000
Total Liabilities	50,911	175,270	-	226,181
Fund balances:				
Reserved for:				
Capital outlay	-	103,460	79,736	183,196
Other	83,423	-	-	83,423
Unreserved, reported in:				
General fund	701,964	-	-	701,964
Total fund balances	785,387	103,460	79,736	968,583
Total liabilities and fund balances	\$ 836,298	\$ 278,730	\$ 79,736	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,257,427

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

(479,415)

Net assets of governmental activities

\$ 1,746,595

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Parks Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 39,918	\$ -	\$ -	\$ 39,918
Fees in lieu of property taxes	1,920	-	-	1,920
Sales and use taxes	272,573	-	-	272,573
Franchise taxes	52,111	-	-	52,111
Resort taxes	512,999	-	-	512,999
Transient room taxes	132,876	-	-	132,876
Telecommunications tax	11,053	-	-	11,053
Licenses, Permits and Fees	38,584	-	-	38,584
Impact fees	-	21,000	-	21,000
Intergovernmental	27,306	-	-	27,306
Contributions and other	34,344	-	13,000	47,344
Fines and Forfeitures	20,513	-	-	20,513
Interest	41,918	7,216	2,164	51,298
Miscellaneous	6,884	-	-	6,884
Total revenues	<u>1,192,999</u>	<u>28,216</u>	<u>15,164</u>	<u>1,236,379</u>
Expenditures				
Current:				
General government	314,605	-	-	314,605
Public safety	259,929	-	-	259,929
Public works	44,582	-	-	44,582
Parks and recreation	59,532	-	-	59,532
Community development	132,689	-	-	132,689
Capital outlay	-	187,035	8,000	195,035
Debt service	115,140	-	-	115,140
Total expenditures	<u>926,477</u>	<u>187,035</u>	<u>8,000</u>	<u>1,121,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>266,522</u>	<u>(158,819)</u>	<u>7,164</u>	<u>114,867</u>
Other Financing Sources (Uses)				
Transfers out	(300,000)	-	(114,376)	(414,376)
Transfers in	53,333	110,000	50,000	213,333
Total other financing sources and uses	<u>(246,667)</u>	<u>110,000</u>	<u>(64,376)</u>	<u>(201,043)</u>
Net change in fund balance	19,855	(48,819)	(57,212)	(86,176)
Fund balance, beginning of year	765,532	152,279	136,948	1,054,759
Fund balance, end of year	<u>\$ 785,387</u>	<u>\$ 103,460</u>	<u>\$ 79,736</u>	<u>\$ 968,583</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds	\$ (86,176)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	95,435
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	(1,323)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	91,000
Change in net assets of governmental activities	<u>\$ 98,936</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 36,000	\$ 36,584	\$ 39,918	\$ 3,334
Fees in lieu of property taxes	2,100	2,100	1,920	(180)
Sales and use taxes	235,000	270,000	272,573	2,573
Franchise taxes	44,000	44,000	52,111	8,111
Resort taxes	440,000	505,000	512,999	7,999
Transient room taxes	105,000	130,000	132,876	2,876
Telecommunications tax	5,000	10,250	11,053	803
Licenses, Permits and Fees	45,100	39,700	38,584	(1,116)
Intergovernmental	18,004	17,754	27,306	9,552
Contributions and other	31,500	30,900	34,344	3,444
Fines and Forfeitures	46,200	18,000	20,513	2,513
Interest	6,300	50,700	41,918	(8,782)
Miscellaneous	12,800	20,400	6,884	(13,516)
Total revenues	1,027,004	1,175,388	1,192,999	17,611
Expenditures				
Current:				
General government	444,264	325,937	314,605	11,332
Public safety	147,626	265,996	259,929	6,067
Public works	57,569	50,613	44,582	6,031
Parks and recreation	84,020	67,920	59,532	8,388
Community development	137,875	140,070	132,689	7,381
Debt service	-	115,140	115,140	-
Total expenditures	871,354	965,676	926,477	39,199
Excess (deficiency) of revenues over (under) expenditures	155,650	209,712	266,522	56,810
Other Financing Sources (Uses)				
Transfers out	(209,483)	(300,000)	(300,000)	-
Transfers in	39,000	53,333	53,333	-
Total other financing sources and uses	(170,483)	(246,667)	(246,667)	-
Net change in fund balance	(14,833)	(36,955)	19,855	56,810
Fund balance, beginning of year	765,532	765,532	765,532	-
Fund balance, end of year	\$ 750,699	\$ 728,577	\$ 785,387	\$ 56,810

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 184,231	\$ 324,934	\$ -	\$ 245,125	\$ 754,290
Receivables, net of allowance	31,860	46,834	-	-	78,694
Due from other funds	22,819	-	-	-	22,819
Bond issuance costs, net of accumulated amortization	19,009	-	-	41,665	60,674
Total current assets	<u>257,919</u>	<u>371,768</u>	<u>-</u>	<u>286,790</u>	<u>916,477</u>
Noncurrent assets:					
Restricted cash and cash equivalents	88,175	78,188	-	648,251	814,614
Capital assets:					
Land	-	132,444	-	-	132,444
Distribution system	2,947,211	1,880,952	-	-	4,828,163
Machinery and equipment	67,510	55,997	-	-	123,507
Automobiles and trucks	26,066	64,774	-	-	90,840
Improvements other than buildings	12,330	331,189	687,272	-	1,030,791
Water rights	100,000	-	21,000	-	121,000
Construction in progress	-	-	-	792,059	792,059
Less: Accumulated depreciation	<u>(629,777)</u>	<u>(1,139,230)</u>	<u>(209,941)</u>	<u>-</u>	<u>(1,978,948)</u>
Total noncurrent assets	<u>2,611,515</u>	<u>1,404,314</u>	<u>498,331</u>	<u>1,440,310</u>	<u>5,954,470</u>
Total assets	<u>2,869,434</u>	<u>1,776,082</u>	<u>498,331</u>	<u>1,727,100</u>	<u>6,870,947</u>
Liabilities					
Current Liabilities:					
Accounts payable	6,414	5,042	1,786	178,125	191,367
Accrued liabilities	7,075	-	2,000	28,779	37,854
Customer deposits	1,443	-	-	-	1,443
Due to other funds	313,894	28,667	22,819	-	365,380
Deferred revenue	101,097	-	-	-	101,097
Current portion of long-term debt	46,080	33,084	-	-	79,164
Total current liabilities	<u>476,003</u>	<u>66,793</u>	<u>26,605</u>	<u>206,904</u>	<u>776,305</u>
Noncurrent liabilities:					
Bonds payable (net of current portion)	<u>1,246,480</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>2,446,480</u>
Total noncurrent liabilities	<u>1,246,480</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>2,446,480</u>
Total Liabilities	<u>1,722,483</u>	<u>66,793</u>	<u>26,605</u>	<u>1,406,904</u>	<u>3,222,785</u>
Net Assets					
Invested in capital assets, net of related debt	1,230,780	1,293,042	498,331	281,975	3,304,128
Restricted for debt service	88,175	78,188	-	-	166,363
Unrestricted	<u>(172,004)</u>	<u>338,059</u>	<u>(26,605)</u>	<u>38,221</u>	<u>177,671</u>
Total net assets	<u>\$ 1,146,951</u>	<u>\$ 1,709,289</u>	<u>\$ 471,726</u>	<u>\$ 320,196</u>	<u>\$ 3,648,162</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
Operating revenues:					
Charges for services	\$ 300,944	\$ 226,071	\$ 24,297	\$ -	\$ 551,312
Garbage collection revenue	25,761	-	-	-	25,761
Other revenues	2,880	17,500	-	-	20,380
Total operating revenues	329,585	243,571	24,297	-	597,453
Operating expenses:					
Salaries, wages and benefits	90,228	49,968	7,184	-	147,380
Office expenses and travel	7,543	2,736	-	928	11,207
Repairs and maintenance	21,268	6,158	2,533	-	29,959
Utilities	9,162	9,416	8,903	-	27,481
Legal and professional fees	6,206	16,700	-	32,251	55,157
Garbage collection	23,078	-	-	-	23,078
Contract services	5,776	6,417	262	1,442	13,897
Insurance	9,305	9,134	-	1,146	19,585
Miscellaneous	3,955	1,466	480	851	6,752
Depreciation	70,296	62,803	15,922	-	149,021
Total operating expenses	246,817	164,798	35,284	36,618	483,517
Operating income (loss)	82,768	78,773	(10,987)	(36,618)	113,936
Non-operating revenues (expenses)					
Interest income	12,440	7,791	-	16,911	37,142
Interest expense and fiscal charges	(9,610)	-	-	-	(9,610)
Gain (loss) on disposal of capital assets	-	-	-	-	-
Donations	-	-	-	85,527	85,527
Connection and impact fees	29,810	17,555	-	-	47,365
Total non-operating revenues (expenses)	32,640	25,346	-	102,438	160,424
Income (loss) before transfers	115,408	104,119	(10,987)	65,820	274,360
Transfers from other funds	-	-	498,253	254,376	752,629
Transfers to other funds	(521,713)	(14,333)	(15,540)	-	(551,586)
Change in net assets	(406,305)	89,786	471,726	320,196	475,403
Total net assets, beginning of year	1,553,256	1,619,503	-	-	3,172,759
Total net assets, end of year	\$ 1,146,951	\$ 1,709,289	\$ 471,726	\$ 320,196	\$ 3,648,162

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 322,514	\$ 213,714	\$ 24,297	\$ -	\$ 560,525
Cash received from customers, other	2,880	17,500	-	-	20,380
Cash paid to suppliers	(94,600)	(48,737)	(10,392)	170,286	16,557
Cash paid to employees	(90,228)	(49,968)	(5,184)	-	(145,380)
Net cash flows from operating activities	<u>140,566</u>	<u>132,509</u>	<u>8,721</u>	<u>170,286</u>	<u>452,082</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds (to) from other funds	(544,532)	(14,333)	505,532	254,376	201,043
Cash Flows From Capital and Related Financing Activities:					
Capital contributions	-	-	-	85,527	85,527
Purchase of fixed assets	(100,628)	(33,765)	(514,253)	(792,059)	(1,440,705)
Proceeds from retirement of fixed assets	498,252	-	-	-	498,252
Proceeds from issuance of bonds	-	-	-	1,158,335	1,158,335
Principal paid on long-term debt	(36,080)	(36,600)	-	-	(72,680)
Interest paid	(8,500)	-	-	-	(8,500)
Connection & impact fees	29,810	17,555	-	-	47,365
Net cash flows from capital and related financing activities	<u>382,854</u>	<u>(52,810)</u>	<u>(514,253)</u>	<u>451,803</u>	<u>267,594</u>
Cash Flows From Investing Activities:					
Interest on investments	12,440	7,791	-	16,911	37,142
Net change in Cash and Cash Equivalents	(8,672)	73,157	-	893,376	957,861
Cash and Cash Equivalents, Beginning of Year	281,078	329,965	-	-	611,043
Cash and Cash Equivalents, End of Year	<u>\$ 272,406</u>	<u>\$ 403,122</u>	<u>\$ -</u>	<u>\$ 893,376</u>	<u>\$ 1,568,904</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Net Operating Income/(Loss)	\$ 82,768	\$ 78,773	\$ (10,987)	\$ (36,618)	\$ 113,936
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	70,296	62,803	15,922	-	149,021
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(4,191)	(12,357)	-	-	(16,548)
Increase/(Decrease) in accounts payable	(7,907)	3,290	1,786	178,125	175,294
Increase/(Decrease) in accrued liabilities	(400)	-	2,000	28,779	30,379
Net cash flows from operating activities	<u>\$ 140,566</u>	<u>\$ 132,509</u>	<u>\$ 8,721</u>	<u>\$ 170,286</u>	<u>\$ 452,082</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 1. Summary of Significant Accounting Policies

General

The financial statements of the Town of Springdale, Utah, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an "other financing source." Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Parks Capital Project Fund – This fund is used to account for the construction of park facilities and improvements.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the Town.

The Sewer Fund is used to account for the provision of sewer services to the residents of the Town.

The Municipal Building Authority is used to account for the construction of a new community center as well as the issuance of debt and receipt of donations for the construction. The community center will be leased to the General Fund as well as private parties for use once it is completed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 1. Summary of Significant Accounting Policies, Continued

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories for the business-type funds (Water and Sewer Funds), consisting of materials used in the extension and repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis. Inventories have not been included in the financial statements and are not considered material. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	7-40 years
Automobiles and trucks	5-7 years
Machinery and equipment	3-5 years
Infrastructure	7-40 years

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds Payable	\$ 490,000
Less: Deferred amounts for issuance costs	<u>(10,585)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 479,415</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 186,400
Depreciation Expense	<u>(90,965)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 95,435</u></u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Amortization of issuance costs	\$ (1,323)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,323)</u>

The final element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Principal repayments:	
Payments on revenue bonds	\$ 91,000
Payments on capital leases	<u>-</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 91,000</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures.
- (2) A public hearing is conducted prior to June 22 to obtain taxpayer comments.
- (3) Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level.
- (4) Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year there were amendments to the budget. Procedures for amending the budgets were in accordance with State Laws.

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the Town in three installments: July, December, and March. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 4. Deposits and Investments

Listed below is a summary of the cash and temporary cash investment portfolio of the Town as of June 30, 2006. All investments are governed by the Utah Money Management Act.

Unrestricted amounts	\$ 1,067,578
Restricted amounts	<u>1,256,503</u>
	<u>\$ 2,324,081</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2006, \$81,460 of the Town's bank balance of \$181,460 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 4. Deposits and Investments, Continued

bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Zions Bank					
Treasury Obligations	\$ 16,953	\$ 16,953	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	2,425,388	2,425,388	-	-	-
Total Fair Value	<u>\$ 2,442,341</u>	<u>\$ 2,442,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 4. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Zions Bank					
Treasury Obligations	\$ 16,953	\$ 16,953	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	2,425,388	-	-	-	2,425,388
Total Fair Value	<u>\$ 2,442,341</u>	<u>\$ 16,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,425,388</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets, not being depreciated:				
Land	\$ 103,500	\$ -	\$ -	\$ 103,500
Construction in progress	24,978	163,102	-	188,080
Total capital assets, not being depreciated	128,478	163,102	-	291,580
Capital assets, being depreciated:				
Buildings	583,563	-	-	583,563
Improvements	402,104	2,016	-	404,120
Furniture & fixtures	111,781	8,315	-	120,096
Computer equipment	60,027	-	-	60,027
Machinery & equipment	106,165	4,967	-	111,132
Automobiles and trucks	83,731	-	-	83,731
Infrastructure	235,420	8,000	-	243,420
Total capital assets, being depreciated	1,582,791	23,298	-	1,606,089
Less accumulated depreciation for:				
Buildings	(91,675)	(14,589)	-	(106,264)
Improvements	(169,384)	(24,613)	-	(193,997)
Furniture & fixtures	(87,559)	(14,297)	-	(101,856)
Computer equipment	(53,943)	(4,766)	-	(58,709)
Machinery & equipment	(73,969)	(9,565)	-	(83,534)
Automobiles and trucks	(55,911)	(12,210)	-	(68,121)
Infrastructure	(16,835)	(10,925)	-	(27,760)
Total accumulated depreciation	(549,276)	(90,965)	-	(640,241)
Total capital assets, being depreciated, net	1,033,515	(67,667)	-	965,848
Governmental activities capital assets, net	<u>\$ 1,161,993</u>	<u>\$ 95,435</u>	<u>\$ -</u>	<u>\$ 1,257,428</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 5. Capital Assets, Continued

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:

General government	\$ 32,963
Public safety	10,278
Highways	31,809
Parks and recreation	15,552
Community development	363
Total depreciation expense - governmental activities	<u>\$ 90,965</u>

Business Type Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets not being depreciated:				
Land	\$ 132,444	\$ -	\$ -	\$ 132,444
Water rights	105,000	16,000	-	121,000
Total capital assets, not being depreciated	<u>237,444</u>	<u>16,000</u>	<u>-</u>	<u>253,444</u>
Capital assets being depreciated:				
Distribution system	4,726,514	101,649	-	4,828,163
Machinery and equipment	92,738	30,769	-	123,507
Automobiles and trucks	88,866	1,974	-	90,840
Improvements	1,030,791	-	-	1,030,791
Total capital assets, being depreciated	<u>5,938,909</u>	<u>134,392</u>	<u>-</u>	<u>6,073,301</u>
Less accumulated depreciation for:				
Distribution system	(1,420,875)	(102,272)	-	(1,523,147)
Machinery and equipment	(42,699)	(8,950)	-	(51,649)
Automobiles and trucks	(67,645)	(8,593)	-	(76,238)
Improvements	(298,708)	(29,206)	-	(327,914)
Total accumulated depreciation	<u>(1,829,927)</u>	<u>(149,021)</u>	<u>-</u>	<u>(1,978,948)</u>
Total capital assets, being depreciated, net	<u>4,108,982</u>	<u>(14,629)</u>	<u>-</u>	<u>4,094,353</u>
Business-type activities capital assets, net	<u>\$ 4,346,426</u>	<u>\$ 1,371</u>	<u>\$ -</u>	<u>\$ 4,347,797</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006	Current Portion
Governmental Activities:					
Revenue bonds	\$ 581,000	\$ -	\$ 91,000	\$ 490,000	\$ 93,000
Less deferred amounts:					
For issuance costs	(11,908)	-	(1,323)	(10,585)	-
Total bonds payable	569,092	-	89,677	479,415	93,000
Capital leases	-	-	-	-	-
Governmental activity Long-term liabilities	<u>\$ 569,092</u>	<u>\$ -</u>	<u>\$ 89,677</u>	<u>\$ 479,415</u>	<u>\$ 93,000</u>
Business-type Activities:					
Revenue bonds	\$ 1,398,324	\$ 1,200,000	\$ 72,680	\$ 2,525,644	\$ 79,164
Less deferred amounts:					
For issuance costs	(20,127)	(41,665)	(1,118)	(60,674)	-
Total bonds payable	1,378,197	1,158,335	71,562	2,464,970	79,164
Business type activity Long-term liabilities	<u>\$ 1,378,197</u>	<u>\$ 1,158,335</u>	<u>\$ 71,562</u>	<u>\$ 2,464,970</u>	<u>\$ 79,164</u>
Total long-term liabilities	<u>\$ 1,947,289</u>	<u>\$ 1,158,335</u>	<u>\$ 161,239</u>	<u>\$ 2,944,385</u>	<u>\$ 172,164</u>

Bonds payable at June 30, 2006 is comprised of the following issues:

Revenue Bonds:

General:

Sales Tax Revenue Refunding Bonds, Series 2004A, due in annual installments of \$36,000 to \$93,000 at interest between 3.75% and 4.5%, beginning September 1, 2004, maturing March 1, 2014.	463,000
Taxable Sales Tax Revenue Refunding Bonds, Series 2004B, due in annual installments of \$8,000 to \$10,000 at 6.25% interest, beginning September 1, 2004, maturing March 1, 2009.	27,000

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 6. Long-Term Debt, Continued

Water Fund:

Subordinated Water Revenue Bonds, Series 2004, due in annual installments of \$1,000 to \$103,000 at 1% interest beginning September 1, 2005, maturing September 1, 2022, payable from water fund revenues. 849,000

Water Revenue Bonds Series 1995A, due in annual installments of \$4,000 to \$48,000; interest free, maturing January 1, 2014, payable from water fund revenues. 324,000

Water Revenue Bonds Series 1987A, due in annual installments of \$17,080 interest free, maturing January 2013, payable from water fund revenues. 119,560

Sewer Fund:

Sewer Revenue Bonds, Series 1995, due in annual installments of \$36,000; interest free, maturing August 1, 2006, payable from sewer fund revenues. 33,084

Municipal Building Authority:

Lease Revenue Bonds, Series 2006, due in annual installments of \$27,000 to \$54,000; at 2.5% interest, maturing April 1, 2037, payable from lease revenues. 1,200,000

Total revenue bonds 3,015,644

Less: Deferred amounts for issuance costs

Business-type activities (60,674)

Governmental-type activities (10,585)

Total bond issue costs (71,259)

Total long-term debt 2,944,385

Less: Current portion

Business-type activities (79,164)

Governmental-type activities (93,000)

Net long-term debt \$ 2,772,221

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

The annual funding requirements to amortize bonds and notes payable at June 30, 2006 are as follows:

Fiscal Year Ended June 30	Governmental-type Activities			
	2004A Revenue Bonds		2004B Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 85,000	\$ 18,840	\$ 8,000	\$ 1,686
2008	88,000	15,652	9,000	1,188
2009	93,000	12,352	10,000	626
2010	36,000	8,864	-	-
2011	38,000	7,246	-	-
2012	39,000	5,536	-	-
2013	41,000	3,780	-	-
2014	43,000	1,934	-	-
Total	<u>\$ 463,000</u>	<u>\$ 74,204</u>	<u>\$ 27,000</u>	<u>\$ 3,500</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 6. Long-Term Debt, Continued

Fiscal Year Ended June 30	Business-type Activities					
	Water		Sewer		Municipal Building Authority	
	Revenue Bonds		Revenue Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 46,080	\$ 27,027	\$ 33,084	\$ -	\$ -	\$ -
2008	47,080	25,141	-	-	27,000	30,000
2009	78,080	23,171	-	-	28,000	29,325
2010	79,080	21,154	-	-	29,000	28,625
2011	80,080	19,016	-	-	29,000	27,900
2012	82,080	16,831	-	-	30,000	27,175
2013	83,080	14,515	-	-	31,000	26,425
2014	67,000	12,115	-	-	32,000	25,650
2015	20,000	9,631	-	-	32,000	24,850
2016	68,000	7,100	-	-	33,000	24,050
2017	81,000	6,420	-	-	34,000	23,225
2018	84,000	5,610	-	-	35,000	22,375
2019	88,000	4,770	-	-	36,000	21,500
2020	91,000	3,890	-	-	37,000	20,600
2021	95,000	2,980	-	-	38,000	19,675
2022	100,000	2,030	-	-	39,000	18,725
2023	103,000	1,030	-	-	40,000	17,750
2024	-	-	-	-	41,000	16,750
2025	-	-	-	-	42,000	15,725
2026	-	-	-	-	43,000	14,675
2027	-	-	-	-	44,000	13,600
2028	-	-	-	-	45,000	12,500
2029	-	-	-	-	46,000	11,375
2030	-	-	-	-	47,000	10,225
2031	-	-	-	-	48,000	9,050
2032	-	-	-	-	49,000	7,850
2033	-	-	-	-	51,000	6,625
2034	-	-	-	-	52,000	5,350
2035	-	-	-	-	53,000	4,050
2036	-	-	-	-	55,000	2,725
2037	-	-	-	-	54,000	1,350
Total	<u>\$ 1,292,560</u>	<u>\$ 202,431</u>	<u>\$ 33,084</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 519,700</u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 7. Accounts Receivable

Accounts receivable consists of the following:

Water Fund

Water Fees	\$ 31,185
Garbage Fees	3,409
Miscellaneous	<u>3,266</u>
Total Water Fund accounts receivable	37,860
Less: Allowance for doubtful accounts	<u>(6,000)</u>
Water Fund accounts receivable (net of allowance)	<u>31,860</u>

Sewer Fund

Sewer Fees	48,334
Less: Allowance for doubtful accounts	<u>(1,500)</u>
Sewer Fund accounts receivable (net of allowance)	<u>46,834</u>
Total accounts receivable (net of allowance)	<u><u>\$ 78,694</u></u>

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 8. Interfund Transactions and Balances

As of June 30, 2006, interfund receivables and payables were as follows:

Due To	Due From				Total
	Water Fund	Sewer Fund	Irrigation Fund	Parks Fund	
General Fund	\$ 313,894	\$ 28,667	\$ -	\$ 80,000	\$ 422,561
Water Fund	-	-	22,819	-	\$ 22,819
Total	\$ 313,894	\$ 28,667	\$ 22,819	\$ 80,000	\$ 445,380

On May 18, 2004, the Town issued bonds in the amount of \$674,000. The proceeds were received into the general fund of the Town and used to retire a capital lease, which was debt of the governmental activities of the Town, a note payable in the water fund and bonds payable in the sewer fund. The bonds are secured by sales tax revenues and will be serviced by the general fund. However, it is the intention of the Town, that the water and sewer funds transfer monies to the general fund to pay their portion of the debt service.

Interfund transfers for the fiscal year ended June 30, 2006 are as follows:

	Transfers From			Total
	General Fund	Town Hall Fund	Nonmajor Governmental	
General Fund	\$ -	\$ -	\$ -	\$ -
Parks Fund	110,000	-	-	110,000
Town Hall Fund	50,000	-	-	50,000
Municipal Building Authority	140,000	114,376	-	254,376
Total	\$ 300,000	\$ 114,376	\$ -	\$ 414,376

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2006, the Town’s reserved and designated fund balances are as follows:

General Fund

Class C Roads	\$ 67,101
State Liquor Funds	16,323
	<u>\$ 83,424</u>

Capital Projects Funds

CDBG	14,961
Parks	\$ 103,460
Town Hall	-
Other Capital Projects	64,775
	<u>\$ 183,196</u>

Water Fund

1995A Water Bond Reserves	\$ 60,828
1987A Water Bond Reserves	27,338
2004 Water Bond Construction Fund	5
	<u>\$ 88,171</u>

Sewer Fund

1995 Sewer Bond Reserves	<u>\$ 78,188</u>
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TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 10. Defined Benefit Pension Plan

All full-time employees of the Town participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

The Town of Springdale contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the Town of Springdale is required to contribute 11.09% of their annual covered salary. In the Public Safety Noncontributory Retirement System, the Town of Springdale is required to contribute 19.34% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 10. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2005/2006 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2006	N/A	N/A	\$ 34,593.51	\$ 311,935.15
2005	N/A	N/A	30,849.48	278,174.45
2004	N/A	N/A	25,311.75	263,115.83
Public Safety System:				
Other Division A Noncontributory				
2006	N/A	N/A	\$ 11,287.64	\$ 58,364.80
2005	N/A	N/A	10,778.82	56,492.80
2004	N/A	N/A	9,330.93	57,456.00
Defined Contribution System:				
401 (k) Plan				
2006	\$ 5,710.00	\$ 5,039.65		
2005	4,503.96	4,562.07		
2004	3,500.00	8,144.23		

The Town of Springdale commenced participation in the Public Safety Noncontributory System on July 1, 1995. The contributions were equal to the required contributions for each year. The Town does not participate in a 457 Deferred Compensation Plan.

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or Town-wide activities being accounted for in the general fund.

The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust and Western Surety Company and worker's compensation through the Worker's Compensation Fund of Utah.

TOWN OF SPRINGDALE

Notes to the Financial Statements June 30, 2006

Note 12. Garbage Contract

Garbage disposal services are provided to the residents of the Town by the Washington County Solid Waste Special Service District. The Town bills for these services as part of its water billings and the revenues and corresponding expenditures related to such services are included in the Water Fund. Amounts due to these entities, if any, are included with accounts payable in the Water Fund balance sheet.

Note 13. Contingencies and Commitments

In recent years, the Town of Springdale has been involved in a project to develop a municipal golf course. In connection with that project, the Town has become involved in the following:

On January 7, 1993, the Town signed a Mutual Release and Settlement Agreement which provides, among other things, for the payment of \$72,500 to Zion Park Resort Limited Partnership. The agreement was a result of efforts to settle a long standing dispute between the Town and Zion Park Resort over payments made by Zion Park Resort for the development of water and a municipal golf course. The settlement agreement called for payment of \$45,000 in legal fees and \$27,500 for repurchase of water hookups. The \$45,000 payment for legal fees was included with legal fee expenditures during the year ended June 30, 1993, and the \$27,500 of water hookups was used to reduce the deferred revenue collected from Zion Park Resort. Zion Park Resort had advanced the Town \$210,000 in connection with the aforementioned development. \$70,097 of the deferred revenue from Zion Park Resort represents prepayment for water connections.

The Town has the right to repurchase any of the unused connections at the rate of 15% of any of the unused connections per year at \$1,000 each, plus interest, commencing five years after the last permit is issued. As of June 30, 2006 there is a balance of \$101,097 in deferred revenue, of which \$70,097 was advanced by Zion Park Resort. The balance of \$31,000 was advanced by others in unrelated settlements.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

The CDBG Capital Project Fund is used to account for the receipt of a CDBG grant and expenditures related to an affordable housing project in the Town.

Other Projects Capital Project Fund – This fund is used to account for the acquisition and construction of major capital facilities not accounted for in the general fund or other capital projects funds.

Town Hall Capital Project Fund – This fund is used to account for the receipt of funds and expenditures related to a new community center.

COMBINING STATEMENTS

TOWN OF SPRINGDALE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Capital Projects</u>			Total Nonmajor Governmental Funds
	<u>CDBG</u>	<u>Other Projects</u>	<u>Town Hall</u>	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	<u>14,961</u>	<u>64,775</u>	<u>-</u>	<u>79,736</u>
Total assets	<u>\$ 14,961</u>	<u>\$ 64,775</u>	<u>\$ -</u>	<u>\$ 79,736</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Reserved for:				
Capital outlay	<u>14,961</u>	<u>64,775</u>	<u>-</u>	<u>79,736</u>
Total fund balances	<u>14,961</u>	<u>64,775</u>	<u>-</u>	<u>79,736</u>
Total liabilities and fund balances	<u>\$ 14,961</u>	<u>\$ 64,775</u>	<u>\$ -</u>	<u>\$ 79,736</u>

TOWN OF SPRINGDALE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Capital Projects			Total Nonmajor Governmental Funds
	CDBG	Other Projects	Town Hall	
Revenues				
Impact fees	\$ -	\$ -	\$ -	\$ -
Contributions and other	8,000	5,000	-	13,000
Investment earnings	-	2,164	-	2,164
Total revenues	8,000	7,164	-	15,164
Expenditures				
Current:				
Community development	-	-	-	-
Capital outlay	8,000	-	-	8,000
Total expenditures	8,000	-	-	8,000
Excess (deficiency) of revenues over (under) expenditures	-	7,164	-	7,164
Other Financing Sources (Uses)				
Transfers out	-	-	(114,376)	(114,376)
Transfers in	-	-	50,000	50,000
Net change in fund balances	-	7,164	(64,376)	(57,212)
Fund balances, beginning of year	14,961	57,611	64,376	136,948
Fund balances, end of year	\$ 14,961	\$ 64,775	\$ -	\$ 79,736

FEDERAL AND STATE REPORTS



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

MEMBERS:

KRIS J. BRAUNBERGER

DEAN R. BURDICK

ROBERT S. COX

BRENT R. HALL

KENNETH A. HINTON

MORRIS J. PEACOCK

MICHAEL K. SPILKER

MARK E. TICHENOR

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the Town Council
Springdale, Utah 84767

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springdale, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town of Springdale, Utah's basic financial statements and have issued our report thereon dated November 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Springdale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Springdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Town of Springdale in a separate letter dated November 22, 2006.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC
November 22, 2006



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

Independent Auditor's Report on State Legal Compliance

To the Honorable Mayor and
Members of the Town Council
Springdale, UT 84767

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springdale, Utah for the year ended June 30, 2006, and have issued our report thereon dated November 22, 2006. As part of our audit, we have audited the Town of Springdale's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Liquor Law Enforcement
Justice Courts
Other General Compliance Issues
Department of Commerce
B & C Road Funds
Impact Fees & Other Development Fees
Asset Forfeitures

The management of the Town of Springdale is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of non-compliance with the requirements referred to above, which is described in the accompanying schedule of findings and recommendations. We considered this instance of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Springdale, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC
November 22, 2006



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

**Findings and Recommendations
For the Year Ended June 30, 2006**

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

The Honorable Mayor and
Town Council
Springdale, Utah

Ladies & Gentlemen:

During our audit of the funds of The Town of Springdale for the fiscal year ended June 30, 2006, we noted several improvements in the Town's accounting and budgeting system and wish to commend the Town for your achievements. We noted one area needing corrective action in order for the Town to be in compliance with laws and regulations. This item is discussed below for your consideration.

Compliance Findings and Recommendations:

06-01. Budgetary Compliance

Finding

The Fiscal Procedures Act for Utah Cities and Towns requires municipalities to restrict expenditures to the authorized department or fund budget. The Town over expended its budget in the Parks Capital Project Fund.

Recommendation

We recommend that the Town operate within the confines of State law by limiting expenditures or following proper procedures to adjust the budgets of the funds as necessary.

Please respond to the above Finding and Recommendation in letter form for submission to the Utah State Auditor's office as required by State law.

This letter is intended solely for the use of the Mayor, Town Council and management and is not intended to be used and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued pleasant, professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC
November 22, 2006

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December 27, 2006

Hinton, Burdick, Hall, & Spilker, PLLC
63 South 300 East, Suite 100
St. George, UT 84770

This letter is written in response to your findings regarding our FY 2006 audit.

Compliance Findings and Recommendations:

06-01. Budgetary Compliance

Finding: The Fiscal Procedures Act for Utah Cities and Towns requires municipalities to restrict expenditures to the authorized department or fund budget. The Town over expended its budget in the Parks Capital Project Fund.

Recommendation: We recommend that the Town operate within the confines of State law by limiting expenditures or following proper procedures to adjust the budgets of the funds as necessary.

Response: We will make every effort to prevent this from occurring in the future.

Sincerely,

Richard W. Wixom
Town Manager

cc: Mayor
Council
Treasurer

118 Lion Blvd., P.O. Box 187, Springdale, UT 84767 (435) 772-3434

SUPPLEMENTARY INFORMATION

TOWN OF SPRINGDALE
Schedule of Impact Fees
For the Year Ended June 30, 2006

	Parks	Water	Sewer	
	Impact	Connection	Connection	
	Fees	Fees	Fees	Total
Beg. Bal.				
FY 99				
Revenues	\$ (14,000.00)	\$ (25,560.00)	\$ (13,545.00)	\$ (53,105.00)
Expenses	\$ 14,587.02	\$ 33,367.68	\$ 13,463.69	\$ 61,418.39
Balance	\$ 587.02	\$ 7,807.68	\$ (81.31)	\$ 8,313.39
FY 00				
Revenues	\$ (32,000.00)	\$ (38,345.00)	\$ (18,065.00)	\$ (88,410.00)
Expenses	\$ 69,155.68	\$ 30,515.73	\$ 12,771.74	\$ 112,443.15
Balance	\$ 37,742.70	\$ (21.59)	\$ (5,374.57)	\$ 32,346.54
FY 01				
Revenues	\$ (16,000.00)	\$ (28,760.00)	\$ (16,560.00)	\$ (61,320.00)
Expenses	\$ 14,571.05	\$ 103,227.93	\$ 65,309.41	\$ 183,108.39
Balance	\$ 36,313.75	\$ 74,446.34	\$ 43,374.84	\$ 154,134.93
FY 02				
Revenues	\$ (6,000.00)	\$ (9,585.00)	\$ (4,515.00)	\$ (20,100.00)
Expenses	\$ 18,805.50	\$ 105,617.05	\$ 66,759.80	\$ 191,182.35
Balance	\$ 49,119.25	\$ 170,478.39	\$ 105,619.64	\$ 325,217.28
FY 03				
Revenues	\$ (22,000.00)	\$ (56,445.00)	\$ (16,220.00)	\$ (94,665.00)
Expenses	\$ 13,289.44	\$ 127,988.40	\$ 66,243.18	\$ 207,521.02
Balance	\$ 40,408.69	\$ 242,021.79	\$ 155,642.82	\$ 438,073.30
FY 04				
Revenues	\$ (10,000.00)	\$ (15,265.00)	\$ (10,300.00)	\$ (35,565.00)
Expenses	\$ 2,060.00	\$ 127,856.00	\$ 42,606.38	\$ 172,522.38
Balance	\$ 32,468.69	\$ 354,612.79	\$ 187,949.20	\$ 575,030.68
FY 05				
Revenues	\$ (45,109.21)	\$ (48,425.00)	\$ (24,570.00)	\$ (118,104.21)
Expenses	\$ -	\$ 55,232.00	\$ 36,600.00	\$ 91,832.00
Balance	\$ (12,640.52)	\$ 361,419.79	\$ 199,979.20	\$ 548,758.47
FY 06				
Revenues	\$ (21,000.00)	\$ (29,810.00)	\$ (17,555.00)	\$ (68,365.00)
Expenses	\$ 94,791.82	\$ 48,576.00	\$ 36,600.00	\$ 179,967.82
Balance	\$ 61,151.30	\$ 380,185.79	\$ 219,024.20	\$ 660,361.29